

Indiana Deferred Compensation Plans BAA – Questions and Answers

Thank you for your interest in the Indiana Deferred Compensation Plans Small-/Smid-Cap Core Manager Search. Below, please find the answers to all questions received as of 12pm Eastern, March 12th. The question and answer period is now over. We look forward to receiving your BAA responses by 12pm Eastern on Thursday, March 20th (submit to: response@capcities.net).

1. We would be very interested in filling out the questionnaire but want to confirm that we would qualify from two perspectives, style and current aum levels. The small cap strategy has a five year record GIPS verified record but has not been the focus on their marketing effort. Today's assets are just under 10 million. We are now focused on raising assets and have a sizable pipeline. Would you suggest we complete the rfp?

Ideally, the Investment Committee would utilize a product with at least \$200 million in assets. However, the Committee reserves the right to consider firms with less than the stated assets in the strategy, on a case-by-case basis where special circumstances may exist.

The search is specifically seeking a Small- to Smid-Cap Broad managers with approaches managed against the Russell 2000 Index, Russell 2500 Index or S&P600 Index. While the search is not specifically seeking products benched against Value and Growth indices, these products will still be considered.

2. Just wondering if the request for Indiana Deferred Compensation Plans - Small-/Smid-Cap Equity Manager Search was for a specific product? Are they looking for a mutual fund product or commingled pool? Any info regarding this would be appreciated. Thank you.

Proposed products, whether mutual fund, commingled pool or separate account must satisfy the recordkeeping requirements established in Exhibit A, posted on www.hoosierstart.in.gov. Separate accounts will be considered along with mutual funds and commingled products as long as the recordkeeping requirements can be met.

3. I have a question pertaining to question #N (table for portfolio characteristics). Under the annual percent turnover, would you like us to go back trailing one year for each month through 12/31/07?

Please include the annual turnover % as of 12/31/07. For the Min%, Max% and Avg%, please use the lowest turnover % tracked during the year (whether you calculate monthly or quarterly), the highest % and average %.

4. We offer a strategy which is benchmarked to the Russell 2000 Growth Index. It appears you are looking for a manager in the core space. We assume it would not

be appropriate to submit our growth strategy for this search, unless you tell us differently.

The search is specifically seeking a Small- to Smid-Cap Broad managers with approaches managed against the Russell 2000 Index, Russell 2500 Index or S&P600 Index. While the search is not specifically seeking products benched against Value and Growth indices, these products will still be considered.

5. I have some questions that need to be addressed before we can complete our application. Is there someone that I can speak to over the phone? I would certainly welcome a call:

We appreciate your interest in the search. Please adhere to the process outlined in the Broad Agency Announcement.

6. Will you and the committee consider mandates that also use the Russell 2000 or 2500 Value and the Russell 2000 or 2500 Growth Indexes?

The search is specifically seeking a Small- to Smid-Cap Broad managers with approaches managed against the Russell 2000 Index, Russell 2500 Index or S&P600 Index. While the search is not specifically seeking products benched against Value and Growth indices, these products will still be considered.

7. Regarding the Indiana Deferred Comp small cap manager search, would it be possible to submit our growth strategy?

The search is specifically seeking a Small- to Smid-Cap Broad managers with approaches managed against the Russell 2000 Index, Russell 2500 Index or S&P600 Index. While the search is not specifically seeking products benched against Value and Growth indices, these products will still be considered.

8. Knowing the current options, the small and mid space for this lineup is all actively managed. Our competitive offering in this space is our Mid-Cap Index. Although the RFP does not state that they are looking only at active, can you let me know if a passive solution is something that they will entertain.

Both passive and active options will be considered, however the search is specifically seeking a Small-/Smid-Cap Broad style with approaches managed against the Russell 2000 Index, Russell 2500 Index or S&P600 Index. While the search is not specifically seeking products benched against Value and Growth indices, these products will still be considered.

9. Regarding the small/smid search for the State of Indiana DC Plan, could you comment on the total assets in the plan?

As of December 31, 2007, the total plan assets were \$802.1 million.

10. Regarding the small cap/ SMID CORE search for Indiana Deferred Comp - would you consider our SMID value strategy?

The search is specifically seeking a Small- to Smid-Cap Broad managers with approaches managed against the Russell 2000 Index, Russell 2500 Index or S&P600 Index. While the search is not specifically seeking products benched against Value and Growth indices, these products will still be considered.

11. Would a manager with assets less than \$200M in AUM be considered for this mandate?

Ideally, the Investment Committee would utilize a product with at least \$200 million in assets. However, the Committee reserves the right to consider firms with less than the stated assets in the strategy, on a case-by-case basis where special circumstances may exist. No specific limitations are placed on firm assets under management.

12. Sec I.K. The path for the criteria of an Indiana business established by the “Buy Indiana” language does not seem to be a working. I receive a “The page cannot be displayed” error message.

The path given in question I. K. appears to be working properly. Please copy <http://www.in.gov/idoa/2736.htm> and paste into your browser. A pdf version of this language has also been posted at www.hoosierstart.in.gov.

13. Sec III.A & B. We are submitting our response with a mutual fund vehicle. Our response to this question would provide greater detail if we used the separate account style assets that include the corresponding mutual fund we are proposing. If we use only mutual fund assets our ability to response will be extremely limited. Is it fine to respond using data from the separate account style footnoted as such?

Yes, providing additional detail with appropriate footnotes is encouraged.

14. Regarding the search In General, is the Committee open to using a mutual fund vehicle or is there a preference toward a separate account?

Considering the Defined Contribution nature of the client, a mutual fund vehicle will certainly be considered. Any vehicle proposed must meet the recordkeeping requirements outlined in Exhibit A posted on www.hoosierstart.in.gov.

15. We were curious about how strict the guidelines for following/providing: “40 calendar quarters of performance (preferably GIPS verified)”

The Questions in section IV are simply asking that you provide available return data or 40 calendar quarters of return data if more than 40 quarters are available, and whether or not these returns are consistent with GIPS.

Specifically, Question IV #2 states: “In the attached Excel spreadsheet, please provide quarterly results for the last 40 calendar quarters or since inception (whichever is shorter). (Gross of fees if separate account product, net of fees if a commingled trust or mutual fund product).”

Question IV #1 states: “Is the performance history submitted consistent with the Global Investment Performance Standards (GIPS®) of the CFA Institute (formerly AIMR-PPS)? Please provide date of compliance.”

16. Will the chosen manager need to adhere to any social or other security restrictions within the account?

According to the Investment Policy Statement governing the Plans, “The mutual funds and commingled investment vehicles selected by the Committee must adhere to the terms and conditions set forth in the applicable prospectus and/or trust document.” Presently, no other security restrictions exist for this style.

17. Are fees going to be a major deciding factor? Further, will the client expect manager willingness to negotiate/provide fee concessions?

Fees are one of the many factors the Committee will evaluate in selecting an appropriate option for the Plans. While managers will not be required to negotiate fees, the Committee will evaluate the competitiveness of fees and may assess managers’ flexibility to negotiate where appropriate.

18. Considering the daily valuation requirement, does the client have a vehicle preference? (i.e. collective trust fund, separate account, mutual fund, etc.)

Vehicles will be considered which satisfy the recordkeeping requirements established in Exhibit A, posted on www.hoosierstart.in.gov. Generally, mutual fund and commingled products more easily meet these criteria, but the Committee does not have a preference regarding vehicle type as long as the requirements are met.

19. We wanted to verify that this would be a separately managed account of sub-advised, and not placed within our current mutual fund product.

The BAA does not indicate preference toward separate accounts. Any vehicle proposed must meet the recordkeeping requirements outlined in Exhibit A posted on www.hoosierstart.in.gov.

20. What is the preferred structure, a separate account or commingled fund? If a commingled fund, what legal structure is preferred (trust, limited partnership, etc ...)? If a trust - Is a third party trustee needed?

Vehicles will be considered which satisfy the recordkeeping requirements established in Exhibit A, posted on www.hoosierstart.in.gov. There is no preference toward vehicle type as long as these requirements are met.

21. Who is the end buyer/decision maker to purchase the fund? The plan administrator/trustee or the plan participants?

The Investment Committee will choose which product to offer within the Plans, while plan participants are ultimately the end buyers/decision makers.

22. Does the plan need Daily Valuations for cash flows or just for reporting purposes?

Daily valuations are required for both cash flows and reporting purposes.

23. Will plan participants need daily access to the account?

Yes, participants will need daily access to the account.

24. Will there be daily cash flows?

Daily cash flows are likely, but cannot be guaranteed.

25. Will our firm name be transparent to the DC participants? I.e. will they be able to see our name when making their plan choices?

Yes, the firm name will be transparent to participants.

26. Is it acceptable for our firm to submit Style Specific (i.e. Value) strategies?

The search is specifically seeking a Small- to Mid-Cap Broad managers with approaches managed against the Russell 2000 Index, Russell 2500 Index or S&P600 Index. While the search is not specifically seeking products benched against Value and Growth indices, these products will still be considered.

27. Is it acceptable for our firm to include multiple strategies in our one submission?

The BAA states "No more than one (1) response per firm shall be submitted." Each response should only propose one strategy.

28. Does the plan have any capacity constraints outside of the \$200 million minimum?

Assets in product are one factor that will be considered, but there are no specific upper limits in place. Specifically, the strategy chosen should be able to accommodate the approximate \$17.5 million in the asset class, with the ability to handle anticipated future growth.

29. Would it be appropriate for us to submit for our SMID Cap Value Strategy? We currently have \$181.0 million in AUM (as of 12/31/07) in our SMID Cap Value strategy which is below the \$200 million stated minimum in the RFP. However, we have over \$2 billion in our Small Cap Value strategy which is managed by the same team, with the same investment philosophy and process as the SMID Cap Value Strategy.

As the BAA states, "Organizations with less than \$200 million in the area for which it competes will be considered on a case-by-case basis." If it can be demonstrated that the same philosophy and process is being followed for both products, this would likely be acceptable.

30. Section II (Business Focus) Part A does not include the year 2003, would you like 2003 total assets to be included for consistency with the rest of the RFP?

The question specifically asks for four years rather than five.

31. Is there a strong preference for registered mutual funds vs. Commingled Trusts? If both are available on a daily valued basis, should both be submitted for consideration?

Vehicles will be considered which satisfy the recordkeeping requirements established in Exhibit A, posted on www.hoosierstart.in.gov. You may indicate which vehicles are available, given they all utilize the same strategy.

32. Is there an initial "mapping" of assets from another fund or vehicle? What is the estimated ongoing monthly flow to this investment option?

Assets will initially be mapped from another fund. The flow to this option varied from month-to-month. In February, the monthly flow was \$175,000.

33. Will this small cap option be part of an asset allocation fund or program?

The small cap option is included in the time-based life cycle options offered by the Plans.

34. We are considering responding with a collective vehicle offered by our wholly owned trust company affiliate. That entity is not covered by the 40 Act, although the parent is. Is that arrangement acceptable?

This arrangement is acceptable.